

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CYPRESS HOLDINGS, III, L.P., individually
and derivatively on behalf of SPORT-BLX,
INC.,

Plaintiff,

v.

Civil Action No. 1:22-cv-1243-LGS

GEORGE HALL, JOSEPH DE PERIO,
DANIEL STRAUSS, FRANCIS
RUCHALSKI, CESAR BAEZ,
CHRISTOPHER JOHNSON, SPORT-BLX,
INC., SPORT-BLX SECURITIES, INC.,
CLINTON GROUP INC., and
GLASSBRIDGE ENTERPRISES, INC.,

Defendants.

SPORT-BLX, INC., individually and
derivatively on behalf of its shareholders,

Plaintiff,

v.

Civil Action No. 1:22-cv-8111-LGS

MICHAEL M. SALERNO and CYPRESS
HOLDINGS, III, L.P.,

Defendants.

EXPERT REPORT OF MAHDI ESLAMIMEHR, PhD

VI. VALUATION OF SPORT-BLX SOFTWARE QUALITY

15. In this section, I provide detailed analysis of Sport-BLX software, focusing on key factors that predominantly influence its valuation. All assumptions undertaken for this analysis are related to the technological landscape and market conditions as they stood in 2021.

A. The Sport-BLX software quality analysis

16. The quality of software is undeniably one of the most critical factors when it comes to determining its worth and overall value. Just like any other product, software can vary significantly in terms of its reliability, performance, and security. High-quality software stands out as it consistently delivers reliable and error-free performance, ensuring seamless operations and reducing the risk of potential financial losses or damage to reputation. Simply put, the better the quality of the software, the more valuable and worthy it becomes.

17. To assess the quality of Sport-BLX software, I employed two cutting-edge software quality analysis tools, namely SonarQube and Qodana.

18. **SonarQube:** A code quality analysis tool that allows for “inspection of code quality.” It analyzes more than 30 programming languages and allows a developer or an expert to detect issues in the source code, including software malfunctions, errors, security vulnerabilities, and estimation of time to fix. SonarQube is a valuable tool for ensuring software quality, and its website reports that it is used by major companies and governments across the world to ensure the quality of their software, including the government of Canada, the FBI, NASA, MasterCard, Saab, Bosch, Kaiser Permanente, Ubisoft, and Microsoft.²

19. **Qodana:** A powerful software analysis tool that can capture data flow issues, memory performance issues, code warnings, redundant and dead code, and control structure issues.

² <https://www.sonarsource.com/products/sonarqube/>

These potential issues can affect quality metrics like scalability, maintainability, security, and performance. Qodana also provides comprehensive metrics, including code errors and bugs, which are essential to assessing the software development process. According to its website, customers of Qodana include Google, NASA, Ubisoft, and Valve.³

20. **Findings.** The Sport-BLX codebase produced includes the following projects and their corresponding source codes: document-management-serverless, marketing-site-v3, rproxy_api, user_service_serverless, gateway, platform, trading_service_serverless.

Language	files	blank	comment	code
JSON	67	19	0	94531
TypeScript	291	10173	2182	41655
JavaScript	462	2349	1347	39864
HTML	64	1045	2	31606
Vuejs Component	155	1238	113	16501
XML	4	0	0	16142
SVG	35	2	3	4857
SCSS	34	674	209	3932
YAML	20	110	95	3189
HCL	20	247	9	1125
EJS	23	31	0	451
Bourne Shell	10	112	5	416
Markdown	16	126	0	401
CSS	2	12	9	204
Dockerfile	10	87	31	204
SQL	7	7	15	156
Handlebars	1	25	0	124
Sass	1	16	11	43
SUM:	1222	16273	4031	255401

Figure 2. Sport-BLX source code breakdown

21. The codebase comprises a total of 255,401 lines of code (LOC), including a mix of eighteen different programming languages. A detailed breakdown is provided in Figure 2. Of the seven projects, "marketing-site-v3" corresponds to the software's frontend. The frontend of software refers to the interface and components that users directly interact with. It encompasses the visual design, layout, and user pathways, enabling users to input information, make choices,

³ <https://www.jetbrains.com/qodana/>

and receive feedback. Essentially, it is the digital 'face' of the software, presenting data and functionalities in a structured and accessible manner, ensuring that the user experience is intuitive and responsive.

22. The six other projects are related to different parts of Sport-BLX's software backend. The backend of software serves as the backbone that supports and connects to the frontend, functioning largely behind the scenes. It encompasses the databases where data is stored, servers that host the software, and the application's core computational logic that processes user inputs from the frontend. Essentially, when a user interacts with the frontend — by clicking a button or submitting a form, for example — the backend receives these interactions, makes needed connections with third-parties, and then returns the necessary data or results back to the frontend to be displayed to the user. The backend is responsible for data management, security protocols, and ensuring seamless communication between various components, making sure that the software operates smoothly and efficiently.

23. An in-depth examination of Sport-BLX's source code using SonarQube indicates that the software is of average quality. Specifically, over 250 errors were found in the code, which can be compared to numerous typos in a book. Several security vulnerabilities were identified, indicating potential weak spots where threats could enter, much like vulnerabilities in a fortress wall. 8.9K code smells were detected, hinting at potential inefficiencies, and 26% of the code was found to be duplicated, indicating redundancy in the code. Lastly, a significant 97 days of technical debt was recorded, suggesting a substantial period required to rectify all identified issues. Collectively, these findings suggest that while Sport-BLX's software and its features are functional, it has room for improvement and does not match the standards of established, better-

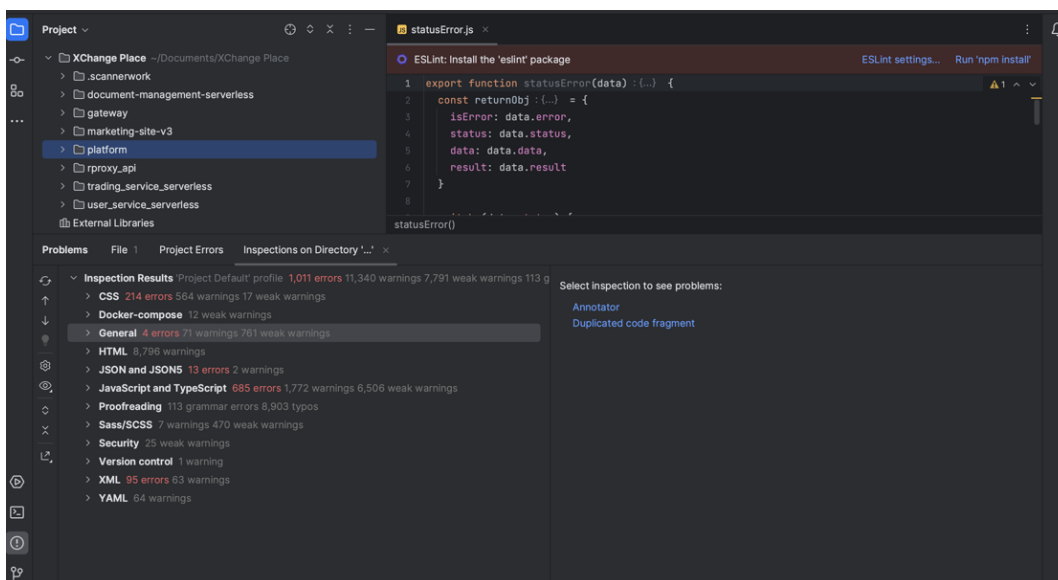


Figure 4. Sport-BLX Code Quality Analysis with IntelliJ Qodana

25. In summary, both Qodana and SonarQube, two industry standard software quality analysis tools, arrived at similar conclusions regarding Sport-BLX's software quality, i.e., indicating its average quality. Software of average quality, such as Sport-BLX might function adequately but lacks the precision, sophistication, and reliability inherent in more established, better-funded offerings.

B. The Sport-BLX software feature analysis

26. Sport-BLX software features are limited but meet the expectations for the securitization and fractionalization of sports-related securities and their sales to interested investors.

27. When assessing the capabilities of the SportBLX software, it is apparent that it is functional for its intended purposes. At the same time, it was created for very specific purposes and does not have the flexibility that a potential buyer may need for other uses. My analysis confirmed that SportBLX software is positioned on the lower end of the spectrum in terms of comprehensive capability. This conclusion is consistent with Sport-BLX's stated purpose of

E. Opinion

33. Above, I have evaluated the Sport-BLX software in detail, concluding that its quality sits at an average level. This assessment was informed by a thorough static code quality analysis. I further undertook a robust comparison of the software's features as they stood in 2021 versus the prevailing industry standards, revealing that Sport-BLX's software offerings were notably limited. Moreover, my code inspection verified that the Sport-BLX software had the capability to interface with only a limited number of financial institutions. This limited interoperability could potentially deter many potential users from adopting the platform. Lastly, I performed a comprehensive review of the landscape of open-source centralized and decentralized online trading platforms from 2019 to 2021. My findings indicated a surge in high-quality, freely available platforms by 2021, adding to the competitive pressures for Sport-BLX.

34. Considering the comprehensive evaluation outlined above, the valuation of Sport-BLX software in 2021 becomes unequivocally clear. For a potential buyer equipped with this information, the appeal of purchasing the Sport-BLX software would be substantially diminished. One must pose the question: Why, in 2021, would an informed investor choose to allocate funds for a software solution that is merely average in quality, restrictively limited in features, and open to integration challenges? Especially when, at the same juncture, there existed state-of-the-art platforms equipped with advanced features, superior integration capabilities, and — crucially — were available at no cost. The market dynamics, coupled with the availability of these sophisticated open-source alternatives, render the commercial appeal of Sport-BLX software close to none.

35. From the perspective of the Sport-BLX software owner in December 2021, any forthcoming offer can reasonably be perceived as equitable based on the prevailing market conditions, changes in open-source software availability, and an assessment of the software's

inherent attributes and limitations. I therefore believe that, in December 2021, the \$225,000 software purchase price referenced in the Complaint was fair and reasonable for Sport-BLX.

VII. AFFIRMATION

36. I certify under penalty of perjury and pursuant to the United States of America laws that the preceding is true and correct to the best of my knowledge.

Date: September 12th, 2023

A handwritten signature in black ink, appearing to read 'Mahdi Eslamimehr', is written over a horizontal line. The signature is fluid and cursive.

Dr. Mahdi Eslamimehr